

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2017 and 2016

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southwest Guidance Center  
PO Box 2945  
Liberal, KS 67905-2945

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southwest Guidance Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Southwest Guidance Center  
Liberal, KS 67905-2945

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Guidance Center as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of Southwest Guidance Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Guidance Center's internal control over financial reporting and compliance.

*Hay•Rice & Associates, Chartered*

Hay•Rice & Associates, Chartered

May 3, 2018

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Southwest Guidance Center  
PO Box 2945  
Liberal, KS 67905-2945

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southwest Guidance Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwest Guidance Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Guidance Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors  
Southwest Guidance Center  
Liberal, KS 67905-2945

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southwest Guidance Center's financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hay•Rice & Associates, Chartered*

Hay•Rice & Associates, Chartered

May 3, 2018

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	\$ 447,045	\$ 357,813
Restricted cash	2,970	2,234
Receivables:		
Client accounts	105,546	74,125
Client contingency accounts	6,747	6,747
Miscellaneous accounts	75	75
Prepaid Expense:		
Employees' benefits	2,133	13,521
Insurance receivable	23,854	-
Insurance and contracts	<u>23,857</u>	<u>24,443</u>
Total current assets	\$ <u>612,227</u>	\$ <u>478,958</u>
<u>Depreciable Assets</u>		
Furnishings & office equipment	\$ 227,352	\$ 226,299
Mobile equipment – Auto	248,514	230,014
Computer	417,394	412,210
Lease improvement	48,299	48,299
Building	274,362	274,362
Building improvements	<u>280,336</u>	<u>280,336</u>
Total cost	\$1,496,257	\$1,471,520
<u>Less</u> – Accumulated depreciation	<u>1,176,366</u>	<u>1,116,509</u>
Net depreciable assets	\$ <u>319,891</u>	\$ <u>355,011</u>
<u>Other Assets</u>		
Investments – BrightEHR LLC	\$ <u>6,397</u>	\$ <u>66,811</u>
<b>Total Assets</b>	\$ <u>938,515</u>	\$ <u>900,780</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit A

STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Current Liabilities</u>		
Vouchers payable	\$ 29,301	\$ 51,577
Accrued salaries	50,989	42,164
Accrued compensated absences	<u>43,432</u>	<u>42,014</u>
Total current liabilities	\$ <u>123,722</u>	\$ <u>135,755</u>
<u>Net Assets</u>		
Unrestricted Net Assets:		
Designated by board for capital development	\$ 193,678	\$ 193,134
Operating	298,254	214,646
Fixed assets	<u>319,891</u>	<u>355,011</u>
Total unrestricted net assets	\$ 811,823	\$ 762,791
Temporarily restricted net assets (Note 7)	<u>2,970</u>	<u>2,234</u>
Total net assets	\$ <u>814,793</u>	\$ <u>765,025</u>
Total Liabilities and Net Assets	\$ <u>938,515</u>	\$ <u>900,780</u>

The accompanying notes are an integral part of these financial statements.



SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit B

STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2017 and 2016

	2017			2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues and Reclassifications:						
Support:						
Trust account receipts for clients	\$ -	\$ 57,706	\$ 57,706	\$ -	\$ 53,540	\$ 53,540
Funding from participating counties (Schedule 1)	191,813	-	191,813	191,813	-	191,813
Funding from state of Kansas – State aid	111,614	-	111,614	111,614	-	111,614
Mental health reform, State of Kansas	552,427	-	552,427	476,503	-	476,503
Case management grant, State of Kansas	8,103	-	8,103	8,897	-	8,897
Medicaid prescreen	21,048	-	21,048	28,065	-	28,065
TBRA grant, State of Kansas	151,243	-	151,243	165,513	-	165,513
Supported housing programs	2,050	-	2,050	2,000	-	2,000
Donations, Bequest and Contributions:						
United Way	2,000	-	2,000	2,000	-	2,000
Baughman Foundation	20,000	-	20,000	10,000	-	10,000
Cooper Clark Foundation	-	-	-	17,500	-	17,500
Kansas Health Grant	-	-	-	25,000	-	25,000
Total support	<u>\$1,060,298</u>	<u>\$ 57,706</u>	<u>\$1,118,004</u>	<u>\$1,038,905</u>	<u>\$ 53,540</u>	<u>\$1,092,445</u>
Revenues:						
Interest on time deposits	\$ 1,541	-	\$ 1,541	\$ 392	-	\$ 392
Charges for services	1,027,380	-	1,027,380	973,189	-	973,189
Partnership income (loss)	(60,420)	-	(60,420)	(25,649)	-	(25,649)
Miscellaneous	<u>26,012</u>	<u>-</u>	<u>26,012</u>	<u>16,179</u>	<u>-</u>	<u>16,179</u>
Total revenues	<u>\$ 994,513</u>	<u>-</u>	<u>\$ 994,513</u>	<u>\$ 964,111</u>	<u>-</u>	<u>\$ 964,111</u>
Reclassifications:						
Net Assets Released from Restrictions (Note 7):						
Satisfaction of purpose restrictions	<u>\$ 56,970</u>	<u>\$ (56,970)</u>	<u>-</u>	<u>\$ 57,238</u>	<u>\$ (57,238)</u>	<u>-</u>
Total support, revenues and reclassifications	<u>\$2,111,781</u>	<u>\$ 736</u>	<u>\$2,112,517</u>	<u>\$2,060,254</u>	<u>\$ (3,698)</u>	<u>\$2,056,556</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit B  
(Continued)

STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses:						
Program Services:						
Children's waiver	\$ 148,802	-	\$ 148,802	\$ 117,360	-	\$ 117,360
Trust accounts for clients	56,970	-	56,970	57,238	-	57,238
Evaluation services	27,555	-	27,555	24,707	-	24,707
Medication assessment/Maintenance program	184,056	-	184,056	185,701	-	185,701
Emergency services	39,534	-	39,534	44,034	-	44,034
Outpatient services	216,815	-	216,815	227,017	-	227,017
Adult's mental health reform	178,861	-	178,861	182,677	-	182,677
Adult's case management	69,372	-	69,372	86,634	-	86,634
Adult's psychosocial group	74,086	-	74,086	88,805	-	88,805
Health homes	-	-	-	23,868	-	23,868
Adult's crisis & non crisis attendant care	44,604	-	44,604	19,709	-	19,709
Supported employment	9,864	-	9,864	10,382	-	10,382
Tenant based housing	197,889	-	197,889	194,826	-	194,826
Children's mental health reform	49,635	-	49,635	74,516	-	74,516
Children's case management	104,723	-	104,723	112,817	-	112,817
Children's psychosocial group	45,915	-	45,915	49,262	-	49,262
Children's crisis & non crisis attendant care	<u>503</u>	<u>-</u>	<u>503</u>	<u>359</u>	<u>-</u>	<u>359</u>
Total program services	\$1,449,184	-	\$1,449,184	\$1,499,912	-	\$1,499,912
Support Services – General and administrative	<u>613,565</u>	<u>-</u>	<u>613,565</u>	<u>528,265</u>	<u>-</u>	<u>528,265</u>
Total expenses	<u>\$2,062,749</u>	<u>-</u>	<u>\$2,062,749</u>	<u>\$2,028,177</u>	<u>-</u>	<u>\$2,028,177</u>
Change in Net Assets	\$ 49,032	\$ 736	\$ 49,768	\$ 32,077	\$ (3,698)	\$ 28,379
Net Assets, Beginning of year	<u>762,791</u>	<u>2,234</u>	<u>765,025</u>	<u>730,714</u>	<u>5,932</u>	<u>736,646</u>
Net Assets, End of year	<u>\$ 811,823</u>	<u>\$ 2,970</u>	<u>\$ 814,793</u>	<u>\$ 762,791</u>	<u>\$ 2,234</u>	<u>\$ 765,025</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Services									
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>	<u>Health Homes</u>
Personal Services:										
Compensation	\$ -	-	\$ 20,928	\$143,106	\$ 2,791	\$155,121	\$124,946	\$ 41,332	\$ 43,077	-
Compensation from grants	-	-	-	-	-	-	-	1,412	1,412	-
Fringe Benefits:										
Health/life insurance	22,312	-	3,145	15,128	424	21,542	19,107	10,630	11,065	-
Social security	7,042	-	1,518	10,432	210	11,417	8,941	3,044	3,171	-
Retirement	8,707	-	1,845	12,611	250	13,772	10,963	3,728	3,882	-
Unemployment tax	-	-	-	-	-	-	-	-	-	-
Flex plan	-	-	119	212	17	661	19	35	36	-
Miscellaneous personnel	-	-	-	-	-	-	-	-	-	-
Total personal services	<u>\$ 38,061</u>	<u>-</u>	<u>\$ 27,555</u>	<u>\$181,489</u>	<u>\$ 3,692</u>	<u>\$202,513</u>	<u>\$163,976</u>	<u>\$ 60,181</u>	<u>\$ 62,643</u>	<u>-</u>
Supplies:										
Office, copier, postage and computer	\$ 233	-	-	\$ 24	-	\$ 13	\$ 105	\$ 13	\$ -	-
Janitorial	-	-	-	-	-	-	50	-	66	-
Board and administrative	-	-	-	45	-	-	-	8	-	-
Miscellaneous	-	-	-	48	-	-	216	-	-	-
Total supplies	<u>\$ 233</u>	<u>-</u>	<u>-</u>	<u>\$ 117</u>	<u>-</u>	<u>\$ 13</u>	<u>\$ 371</u>	<u>\$ 21</u>	<u>\$ 66</u>	<u>-</u>
Professional Fees:										
Testing and UR consultation fees	-	-	-	-	-	\$ 3,996	-	-	-	-
Legal and accounting services	-	-	-	-	-	-	-	-	-	-
Contract office services	-	-	-	-	-	-	-	-	-	-
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2017

	Program Services										
	Adult's Crisis & Noncrisis			Children's		Children's Crisis					
	<u>Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>&amp; Noncrisis Attendant Care</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>	
Personal Services:											
Compensation	\$ 33,563	\$ 6,186	\$ 24,743	\$ 27,335	\$ 68,734	\$ 29,807	-	\$ 721,669	\$235,708	\$ 957,377	
Compensation from grants	-	-	-	-	-	-	-	2,824	-	2,824	
Fringe Benefits:											
Health/life insurance	3,932	2,682	10,729	2,916	23,954	10,912	-	158,478	44,725	203,203	
Social security	2,483	440	1,719	2,096	4,777	2,097	-	59,387	16,043	75,430	
Retirement	2,924	556	2,176	2,485	6,002	2,600	-	72,501	18,810	91,311	
Unemployment tax	-	-	-	-	-	-	-	-	816	816	
Flex plan	-	-	-	-	46	25	-	1,170	671	1,841	
Miscellaneous personnel	-	-	-	-	-	-	-	-	2,406	2,406	
Total personal services	<u>\$ 42,902</u>	<u>\$ 9,864</u>	<u>\$ 39,367</u>	<u>\$ 34,832</u>	<u>\$103,513</u>	<u>\$ 45,441</u>	<u>-</u>	<u>\$1,016,029</u>	<u>\$319,179</u>	<u>\$1,335,208</u>	
Supplies:											
Office, copier, postage and computer	-	-	\$ 30	\$ 105	\$ 32	-	\$ 10	\$ 565	\$ 8,613	\$ 9,178	
Janitorial	-	-	-	50	-	-	-	166	2,869	3,035	
Board and administrative	-	-	-	-	-	-	-	53	4,596	4,649	
Miscellaneous	-	-	-	216	-	-	-	480	5,260	5,740	
Total supplies	<u>-</u>	<u>-</u>	<u>\$ 30</u>	<u>\$ 371</u>	<u>\$ 32</u>	<u>-</u>	<u>\$ 10</u>	<u>\$ 1,264</u>	<u>\$ 21,338</u>	<u>\$ 22,602</u>	
Professional Fees:											
Testing and UR consultation fees	-	-	-	-	-	-	-	\$ 3,996	\$ 792	\$ 4,788	
Legal and accounting services	-	-	-	-	-	-	-	-	12,068	12,068	
Contract office services	-	-	-	-	-	-	-	-	100	100	
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,996</u>	<u>\$ 12,960</u>	<u>\$ 16,956</u>	

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2017

	Program Services									
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>	<u>Health Homes</u>
Other Functional Expenses:										
Utilities	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,834	-
Telephone and answering service	1,120	-	-	-	35,807	1,011	2,253	1,225	-	-
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	-	-
Travel, auto and training expense	9,314	-	-	1,220	35	4,023	254	7,930	1,485	-
Computer expense	-	-	-	-	-	-	-	-	-	-
Janitorial service	-	-	-	-	-	-	1,290	-	1,800	-
Program expenses – Case management	553	-	-	499	-	7	-	3	2,006	-
Rent expense	-	-	-	-	-	-	10,475	-	-	-
Rent expense from grants	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Recruiting expense	-	-	-	-	-	4,288	-	-	-	-
Bad debts written off	-	-	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	814	-	-	-	-
Building and grounds maintenance	-	-	-	-	-	-	-	12	1,252	-
Other administrative expense	-	-	-	-	-	-	-	-	-	-
Association and professional dues	-	-	-	731	-	150	-	-	-	-
Public notices and advertising	-	-	-	-	-	-	-	-	-	-
Copier/lease maintenance	-	-	-	-	-	-	242	-	-	-
Trust account disbursements for clients	-	56,970	-	-	-	-	-	-	-	-
Total other functional expenses	\$ 10,987	\$ 56,970	-	\$ 2,450	\$ 35,842	\$ 10,293	\$ 14,514	\$ 9,170	\$ 11,377	-
Total expenses before depreciation	\$ 49,281	\$ 56,970	\$ 27,555	\$ 184,056	\$ 39,534	\$ 216,815	\$ 178,861	\$ 69,372	\$ 74,086	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 49,281	\$ 56,970	\$ 27,555	\$ 184,056	\$ 39,534	\$ 216,815	\$ 178,861	\$ 69,372	\$ 74,086	-

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2017

	Program Services										
	Adult's Crisis & Noncrisis			Children's		Children's Crisis					
	Attendant Care	Supported Employment	Tenant Based Housing	Mental Health Reform	Children's Case Management	Children's Psychosocial Group	& Noncrisis Attendant Care	Total Program Services	General and Administrative	Total Expenses	
Other Functional Expenses:											
Utilities	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,834	\$ 10,927	\$ 15,761	
Telephone and answering service	35	-	-	2,288	700	70	245	44,754	11,595	56,349	
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	43,453	43,453	
Travel, auto and training expense	1,667	-	366	150	478	42	248	27,212	19,119	46,331	
Computer expense	-	-	-	-	-	-	-	-	41,326	41,326	
Janitorial service	-	-	-	1,290	-	-	-	4,380	6,274	10,654	
Program expenses – Case management	-	-	-	-	-	362	-	3,430	-	3,430	
Rent expense	-	-	2,050	10,475	-	-	-	23,000	1,876	24,876	
Rent expense from grants	-	-	156,076	-	-	-	-	156,076	-	156,076	
Interest expense	-	-	-	-	-	-	-	-	33	33	
Recruiting expense	-	-	-	-	-	-	-	4,288	130	4,418	
Bad debts written off	-	-	-	-	-	-	-	-	28,656	28,656	
Printing	-	-	-	-	-	-	-	814	962	1,776	
Building and grounds maintenance	-	-	-	-	-	-	-	1,264	8,484	9,748	
Other administrative expense	-	-	-	-	-	-	-	-	230	230	
Association and professional dues	-	-	-	-	-	-	-	881	15,391	16,272	
Public notices and advertising	-	-	-	-	-	-	-	-	7,230	7,230	
Copier lease/maintenance	-	-	-	229	-	-	-	471	4,545	5,016	
Trust account disbursements for clients	-	-	-	-	-	-	-	56,970	-	56,970	
Total other functional expenses	\$ 1,702	-	\$158,492	\$ 14,432	\$ 1,178	\$ 474	\$ 493	\$ 328,374	\$200,231	\$ 528,605	
Total expenses before depreciation	\$ 44,604	\$ 9,864	\$197,889	\$ 49,635	\$104,723	\$ 45,915	\$ 503	\$1,349,663	\$553,708	\$1,903,371	
Depreciation	-	-	-	-	-	-	-	-	59,857	59,857	
Total Expenses	\$ 44,604	\$ 9,864	\$197,889	\$ 49,635	\$104,723	\$ 45,915	\$ 503	\$1,349,663	\$613,565	\$1,963,228	

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services									
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>	<u>Health Homes</u>
Personal Services:										
Compensation	\$ 78,501	-	\$ 19,444	\$139,101	\$ 2,593	\$173,984	\$128,735	\$ 52,599	\$ 55,246	\$ 17,063
Compensation from grants	-	-	-	-	-	-	-	1,483	1,483	-
Fringe Benefits:										
Health/life insurance	19,808	-	2,006	17,456	270	17,157	18,129	13,819	14,334	-
Social security	5,477	-	1,412	11,328	193	12,747	9,282	3,901	4,046	-
Retirement	7,179	-	1,800	14,353	243	16,107	11,992	4,824	5,000	-
Unemployment tax	-	-	-	-	-	-	-	-	-	-
Flex plan	-	-	45	188	7	252	12	70	72	-
Miscellaneous personnel	-	-	-	-	-	-	-	-	-	-
Total personal services	<u>\$110,965</u>	<u>-</u>	<u>\$ 24,707</u>	<u>\$182,426</u>	<u>\$ 3,306</u>	<u>\$220,247</u>	<u>\$168,150</u>	<u>\$ 76,696</u>	<u>\$ 80,181</u>	<u>\$ 17,063</u>
Supplies:										
Program development, diagnosis and therapy	\$ -	-	-	\$ -	-	\$ 198	\$ -	-	\$ -	-
Office, copier, postage and computer	24	-	-	350	-	104	290	-	-	-
Janitorial	-	-	-	-	-	-	-	-	2	-
Board and administrative	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	143	-	4	-	-	36	-
Total supplies	<u>\$ 24</u>	<u>-</u>	<u>-</u>	<u>\$ 493</u>	<u>-</u>	<u>\$ 306</u>	<u>\$ 290</u>	<u>-</u>	<u>\$ 38</u>	<u>-</u>
Professional Fees:										
Legal and accounting services	-	-	-	-	-	-	-	-	-	-
Translating services	-	-	-	-	-	-	-	-	-	-
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services									
	<u>Adult's Crisis &amp; Noncrisis</u>			<u>Children's</u>			<u>Children's Crisis</u>			
	<u>Attendant Care</u>	<u>Supported Employment</u>	<u>Tenant Based Housing</u>	<u>Mental Health Reform</u>	<u>Children's Case Management</u>	<u>Children's Psychosocial Group</u>	<u>&amp; Noncrisis Attendant Care</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Personal Services:										
Compensation	\$ 13,688	\$ 6,726	\$ 24,534	\$ 47,736	\$ 73,862	\$ 32,219	-	\$ 866,031	\$188,672	\$1,054,703
Compensation from grants	-	-	-	-	-	-	-	2,966	-	2,966
Fringe Benefits:										
Health/life insurance	2,675	2,569	10,276	4,423	25,106	11,457	-	159,485	42,204	201,689
Social security	903	471	1,743	3,591	5,162	2,277	-	62,533	12,943	75,476
Retirement	1,161	616	2,296	4,467	6,832	2,989	-	79,859	17,833	97,692
Unemployment tax	-	-	-	-	-	-	-	-	1,051	1,051
Flex plan	-	-	-	-	-	-	-	646	579	1,225
Miscellaneous personnel	-	-	-	-	-	-	-	-	3,743	3,743
Total personal services	<u>\$ 18,427</u>	<u>\$ 10,382</u>	<u>\$ 38,849</u>	<u>\$ 60,217</u>	<u>\$110,962</u>	<u>\$ 48,942</u>	<u>-</u>	<u>\$1,171,520</u>	<u>\$267,025</u>	<u>\$1,438,545</u>
Supplies:										
Program development, diagnosis and therapy	-	-	\$ -	\$ -	\$ -	-	-	\$ 198	\$ -	\$ 198
Office, copier, postage and computer	-	-	14	261	35	-	-	1,078	7,612	8,690
Janitorial	-	-	-	-	-	-	-	2	2,852	2,854
Board and administrative	-	-	-	-	-	-	-	-	5,385	5,385
Miscellaneous	-	-	995	-	-	-	-	1,178	5,444	6,622
Total supplies	<u>-</u>	<u>-</u>	<u>\$ 1,009</u>	<u>\$ 261</u>	<u>\$ 35</u>	<u>-</u>	<u>-</u>	<u>\$ 2,456</u>	<u>\$ 21,293</u>	<u>\$ 23,749</u>
Professional Fees:										
Legal and accounting services	-	-	-	-	-	-	-	-	\$ 12,727	\$ 12,727
Translating services	-	-	-	-	-	-	-	-	1,250	1,250
Total professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 13,977</u>	<u>\$ 13,977</u>

The accompanying notes are an integral part of these financial statements.



SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services									
	<u>Children's Waiver</u>	<u>Trust Accounts For Clients</u>	<u>Evaluation Services</u>	<u>Medication Assessment/ Maintenance Program</u>	<u>Emergency Services</u>	<u>Outpatient Services</u>	<u>Adult's Mental Health Reform</u>	<u>Adult's Case Management</u>	<u>Adult's Psychosocial Group</u>	<u>Health Homes</u>
Other Functional Expenses:										
Utilities	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,484	\$ -
Telephone and answering service	420	-	-	-	40,368	523	2,227	1,155	-	-
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	-	-
Travel, auto and training expense	5,614	-	-	2,200	360	4,415	264	8,482	365	1,384
Computer expense	-	-	-	-	-	503	-	-	-	5,421
Janitorial service	-	-	-	-	-	-	1,290	-	450	-
Program expenses – Case management	270	-	-	515	-	291	-	301	1,065	-
Rent expense	-	-	-	-	-	200	10,150	-	-	-
Rent expense from grants	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Recruiting expense	-	-	-	-	-	408	301	-	-	-
Bad debts written off	-	-	-	-	-	-	-	-	-	-
Printing	67	-	-	67	-	124	-	-	-	-
Building and grounds maintenance	-	-	-	-	-	-	5	-	1,222	-
Other administrative expense	-	-	-	-	-	-	-	-	-	-
Equipment repairs and maintenance	-	-	-	-	-	-	-	-	-	-
Association and professional dues	-	-	-	-	-	-	-	-	-	-
Public notices and advertising	-	-	-	-	-	-	-	-	-	-
Copier/lease maintenance	-	-	-	-	-	-	-	-	-	-
Trust account disbursements for clients	-	57,238	-	-	-	-	-	-	-	-
Total other functional expenses	\$ 6,371	\$ 57,238	-	\$ 2,782	\$ 40,728	\$ 6,464	\$ 14,237	\$ 9,938	\$ 8,586	\$ 6,805
Total expenses before depreciation	\$117,360	\$ 57,238	\$ 24,707	\$185,701	\$ 44,034	\$227,017	\$182,677	\$ 86,634	\$ 88,805	\$ 23,868
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$117,360	\$ 57,238	\$ 24,707	\$185,701	\$ 44,034	\$227,017	\$182,677	\$ 86,634	\$ 88,805	\$ 23,868

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit C  
(Continued)

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2016

	Program Services									
	Adult's Crisis & Noncrisis			Children's			Children's Crisis			
	Attendant Care	Supported Employment	Tenant Based Housing	Mental Health Reform	Children's Case Management	Children's Psychosocial Group	& Noncrisis Attendant Care	Total Program Services	General and Administrative	Total Expenses
Other Functional Expenses:										
Utilities	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,484	\$ 11,722	\$ 17,206
Telephone and answering service	70	-	1,559	2,157	805	-	245	49,529	12,542	62,071
Insurance and fidelity bonds	-	-	-	-	-	-	-	-	38,491	38,491
Travel, auto and training expense	1,212	-	24	135	935	187	59	25,636	7,975	33,611
Computer expense	-	-	-	-	-	-	-	5,924	45,039	50,963
Janitorial service	-	-	-	1,290	-	-	-	3,030	5,760	8,790
Program expenses – Case management	-	-	-	-	-	133	-	2,575	-	2,575
Rent expense	-	-	773	10,150	-	-	-	21,273	1,108	22,381
Rent expense from grants	-	-	151,818	-	-	-	-	151,818	-	151,818
Interest expense	-	-	-	-	-	-	-	-	943	943
Recruiting expense	-	-	-	301	-	-	55	1,065	217	1,282
Bad debts written off	-	-	-	-	-	-	-	-	11,234	11,234
Printing	-	-	-	-	80	-	-	338	1,219	1,557
Building and grounds maintenance	-	-	794	5	-	-	-	2,026	4,801	6,827
Other administrative expense	-	-	-	-	-	-	-	-	495	495
Equipment repairs and maintenance	-	-	-	-	-	-	-	-	30	30
Association and professional dues	-	-	-	-	-	-	-	-	13,772	13,772
Public notices and advertising	-	-	-	-	-	-	-	-	4,831	4,831
Copier lease/maintenance	-	-	-	-	-	-	-	-	4,830	4,830
Trust account disbursements for clients	-	-	-	-	-	-	-	57,238	-	57,238
Total other functional expenses	\$ 1,282	-	\$154,968	\$ 14,038	\$ 1,820	\$ 320	\$ 359	\$ 325,936	\$165,009	\$ 490,945
Total expenses before depreciation	\$ 19,709	\$ 10,382	\$194,826	\$ 74,516	\$112,817	\$ 49,262	\$ 359	\$1,499,912	\$467,304	\$1,967,216
Depreciation	-	-	-	-	-	-	-	-	60,961	60,961
Total Expenses	\$ 19,709	\$ 10,382	\$194,826	\$ 74,516	\$112,817	\$ 49,262	\$ 359	\$1,499,912	\$528,265	\$2,028,177

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Exhibit D

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating and Non-Operating Activities</u>		
Cash received from customers	\$ 995,968	\$ 1,016,906
Cash received from support entities	1,060,298	1,038,905
Cash paid to suppliers and employees	(1,969,844)	(1,880,088)
Interest received	1,535	378
Miscellaneous income	<u>26,012</u>	<u>16,179</u>
Net cash provided (used) by operating and non-operating activities	\$ <u>113,969</u>	\$ <u>192,280</u>
<u>Cash Flows from Investing Activities</u>		
Capital expenditures	\$ (24,737)	\$ (52,149)
Investment in BrightEHR LLC	<u>-</u>	<u>(50,000)</u>
Net cash provided (used) by investing activities	\$ <u>(24,737)</u>	\$ <u>(102,149)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 89,232	\$ 90,131
Cash and Cash Equivalents – Beginning of year	<u>357,813</u>	<u>267,682</u>
Cash and Cash Equivalents – End of year	\$ <u>447,045</u>	\$ <u>357,813</u>

There were no non-cash transactions for the years ended December 31, 2017 and 2016.

The accompanying notes are an integral part of these financial statements.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 1: Summary of Accounting Policies

A. Nature of Activities

Southwest Guidance Center is a community mental health center whose service area is composed of Haskell, Meade, Seward and Stevens counties in Southwestern Kansas. It is governed by a sixteen member board. When an opening occurs on the board, the County Commissioners of the four counties in its service area gives their recommendations for potential board members. However, the board of Southwest Guidance Center approves the final selection of the members to the board.

Southwest Guidance Center is licensed as a community mental health center on a biannual basis by the Mental Health/Retardation Services of the Kansas Department of Social and Rehabilitation Services.

Its mission is to provide services to meet the health education, prevention, and treatment needs of the residents of its four county service area. This care is to be provided in such a way as to respect the personal dignity and rights of each individual.

The Center's services are made available to every resident of the Center's service area regardless of an individual's race, color, religion, age, sex, or place of national origin.

Persons who present themselves as experiencing a mental health emergency are never denied service for any reason.

B. Income Tax Status

The organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the organization qualifies for a charitable contribution under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for 3 years after they were filed.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

C. Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Basis of Accounting

The accompanying financial statements have been prepared on the basis of accounting in accordance with accounting principles generally accepted in the United States of America.

E. Client Accounts Receivable

These assets are recorded at gross billings. No attempt has been made to set up an allowance for doubtful accounts. Direct charge-offs of an account are made when it becomes apparent that collection will not be made. Accounts receivable are then adjusted down to a collectible amount.

F. Property and Equipment

All acquisitions of property and equipment in excess of \$250 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Depreciation is taken over useful life of 5 to 40 years with no salvage value.

G. Cash and Time Deposits

Deposits are carried at cost and, if applicable, plus accrued interest. The carrying amount of deposits is separately displayed as "cash".

Southwest Guidance Center deposited and/or invested funds with the Sunflower Bank, First National Bank and Golden Plains Credit Union, all of Liberal, Kansas. They also deposited and/or invested funds with Centera Bank of Sublette, Kansas.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

G. Cash and Time Deposits (Continued)

At year end the carrying amount of the Center's deposits, including certificates of deposit, was \$447,045. The bank statement balances were \$482,617. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$285,942 was covered by FDIC insurance and \$196,675 was covered by securities pledged.

Certificates of deposit totaling \$25,000 (\$25,000 at December 31, 2016) are included in cash in the accompanying financial statements. The certificates bear interest ranging from 1% to 4% and have maturities ranging from three to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

H. Defined Benefit Pension Plan

Plan Description

Southwest Guidance Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

H. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from Southwest Guidance Center were \$89,345 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, Southwest Guidance Center's proportionate share of the collective net pension liability reported by KPERS was \$857,993. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. Southwest Guidance Center's proportion of the net pension liability was based on the ratio of Southwest Guidance Center's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

H. Defined Benefit Pension Plan (Continued)

Southwest Guidance Center, Inc. has set up a 403(b)(7) retirement plan in which the employees can elect to contribute to after three months of employment. The agency no longer offers matching funds to employees that participate.

I. Compensated Absences

Professional staff hired prior to January 6, 2011 accrue vacation time at the rate of 1 2/3 vacation days per month or up to 20 working days per year. Professional staff hired after January 6, 2011 accrue vacation time at the rate of 1 1/4 vacation days per month or up to 15 working days per year.

Support staff hired prior to January 6, 2011 accrue vacation time at the rate of 1 1/4 vacation days per month or up to 15 working days per year. After 10 years of continuous employment, support staff employees accrue vacation time at the rate of 1 2/3 days per month or up to 20 working days per year. Support staff hired after January 6, 2011, accrue vacation time at the rate of .832 vacation days per month or up to 10 working days per year. After 10 years of continuous employment, support staff employees accrue vacation time at the rate of 1 1/4 days per month or up to 15 working days per year.

Regular part-time employees accrue vacation time prorated on the same basis as that for full-time employees.

Vacation time accumulated from and after the first month of employment was not available for use until after six months of employment.

Earned vacation time must be used and cannot accumulate in excess of the total allowed for one calendar year, except with the expressed permission of the executive director.

Liabilities for compensated absences have been inventoried at the end of the year and adjusted to current salary cost.



SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

J. Uncompensated Absences

Upon termination, an employee shall not be paid for any accumulated unused compensatory or sick leave time.

K. Contingent Liabilities

The Center participates in the State of Kansas grants to community mental health facilities. These programs are subject to program compliance audits by the grantor or their representatives. The audit of these programs for the year ended December 31, 2017 have not been conducted. Accordingly, the Center's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Center expects such amounts, if any, to be immaterial.

L. Budget Information and Encumbrances

Annually a budget is approved by the governing body. This approved budget provides management with the total dollar amount that may be legally expended each year: to provide the documentation needed in requesting appropriations from all the participating counties; and to provide other necessary information for management purposes. The annual budget is not required to be filed with the County Clerk for submission to the Kansas Department of Administration.

The operating budget is prepared using the accrual basis of accounting.

M. Expendable Restricted Resources

Operating funds restricted by the grantor or other outside party for particular operating purposes are reported as revenues when earned. The funds incur expenditures in compliance with the specific restrictions of the grantor.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

N. Allocation of Expenses

During operations in the year certain types of expenditures are allocated within the general fund. These expenditures are allocated so that the organization may match the expenditures with the appropriate grants. The organization's allocation is in proportion to the budgets that are approved by the grantor and time allocation reports.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Advertising

Advertising costs are expensed as incurred.

Q. Donated Services

Donated services of the board members were not recognized in the financial statements because they did not meet the criteria for recognition under FASB Codification 958-605-25-16.

R. Financial Statement Presentation

Under FASB Codification 958-210-45-9, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Temporarily restricted – principal and income designated for a specific purpose.

Permanently restricted – principal is to remain intact as an endowment.

Unrestricted – no restrictions or designations placed on principal or income.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 1: Summary of Accounting Policies (Continued)

S. Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

T. Subsequent Events

Management has evaluated subsequent events through May 3, 2018, the date which the financial statements were available to be issued.

Note 2: Fidelity Bonds of Officials at December 31, 2017

<u>Office</u>	<u>Officer</u>	<u>Amount of Indemnity</u>
Treasurer	Board Treasurer	\$ 25,000
Office staff	All employees	10,000

Note 3: Investment in Partnership

Southwest Guidance Center invested \$65,000 into a limited liability company called BrightEHR LLC in 2015 and a final \$50,000 in 2016. It is accounted for on the financial statements under the equity method of accounting. BrightEHR LLC purpose is to improve the existing electronic medical record software that is currently being used by Southwest Guidance Center and other various mental health centers.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 4: Summary of Grant Revenues

<u>Funding Source</u>	<u>Number</u>	<u>Grant Period</u>	<u>Grant Authorized</u>	<u>2017</u>	<u>2016</u>
State of Kansas:					
Dept. of K.D.A.D.S.	MHCC 16-026	07-01-15 to 06-30-16	Various	\$ -	\$252,286
Dept. of K.D.A.D.S.	MHCC 17-026	07-01-16 to 06-30-17	Various	252,284	252,282
Dept. of K.D.A.D.S.	MHCC 15-026	07-01-17 to 06-30-18	Various	321,191	-
Dept. of Commerce & Housing	TBRA	01-01-17 to 12-31-17	Various	151,243	-
Dept. of Commerce & Housing	TBRA	01-01-16 to 12-31-16	Various	-	165,513
Dept. of K.D.A.D.S.	HCP-SA-15-024	07-01-17 to 06-30-18	\$111,614	55,808	-
Dept. of K.D.A.D.S.	HCP-SA-13-24	07-01-15 to 06-30-16	\$111,614	-	55,806
Dept. of K.D.A.D.S.	HCP-SA-16-024	07-01-16 to 06-30-17	\$111,614	<u>55,806</u>	<u>55,808</u>
Total Grant Revenues				<u>\$836,332</u>	<u>\$781,695</u>

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 5: Reconciliation of Net Income to Net Cash Provided by Operating Activities

	<u>2017</u>	<u>2016</u>
Net Income	\$ <u>49,768</u>	\$ <u>28,379</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 59,857	\$ 60,961
Partnership loss	60,414	25,635
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(31,421)	43,717
(Increase) decrease in insurance receivable	(23,854)	-
(Increase) decrease in prepaid expenses	11,974	(12,262)
(Increase) decrease in restricted cash	(736)	3,698
(Decrease) increase in accounts payable	(22,276)	30,922
(Decrease) increase in accrued compensated balances	1,418	668
(Decrease) increase in accrued salaries	<u>8,825</u>	<u>10,562</u>
Total adjustments	\$ <u>64,201</u>	\$ <u>163,901</u>
Net Cash Provided by Operating and Non-Operating Activities	\$ <u>113,969</u>	\$ <u>192,280</u>

There were no material noncash investing or financing transactions during 2017 or 2016.

Note 6: Lease Agreements

Southwest Guidance Center has entered into an operating lease agreement with Chance, Francis, Harding Group, LLC in 2000, for office space located at 21 Plaza Drive in Liberal. This agreement is month to month. During the year ended December 31, 2017 and 2016 rentals amounted to \$21,000.00 and \$20,300.00, respectively.

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Continued)

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Trust accounts for clients	\$ <u>2,970</u>	\$ <u>2,234</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose Restriction Accomplished:

Trust accounts disbursements for clients	\$ <u>56,970</u>	\$ <u>57,238</u>
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Net assets were received from donors with restrictions for the following purposes:

Purpose of Restrictions:

Trust accounts receipts for clients	\$ <u>57,706</u>	\$ <u>33,540</u>
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SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Schedule 1

SCHEDULE OF FUNDING FROM PARTICIPATING COUNTIES

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Seward County	\$ 80,000	\$ 80,000
Meade County	35,066	35,066
Haskell County	32,071	32,071
Stevens County	<u>44,676</u>	<u>44,676</u>
Totals	<u>\$191,813</u>	<u>\$191,813</u>

SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Schedule 2

SCHEDULE OF FEDERAL AND STATE AWARDS  
PSYCHOSOCIAL/CASE MANAGEMENT GRANTS  
For the year ended December 31, 2017

	<u>M. H. C. C.</u>	
Pass Through Grant Number	<u>17-026</u>	<u>16-026</u>
CFDA #	<u>93.958</u>	<u>93.958</u>
Program/Award amount	Various	Various
Receipts – Actual:		
Federal amount	\$ -	\$ -
State amount	<u>321,191</u>	<u>252,284</u>
Total receipts	<u>\$321,191</u>	<u>\$252,284</u>
Disbursements, payables and accruals – Actual	<u>(A)</u>	<u>(A)</u>
Excess (deficiency) receipts over disbursements and accruals	<u>(A)</u>	<u>(A)</u>

Notes to Schedule:

Reference to (A) is that no budget or actual expenditures shown as they are not required since payment procedure is based on: prospective quarterly payments on or about July 15, October 1, January 1 and April 1 that are contingent upon receipt of scheduled program and State Aid Budget information. Program information includes Quarterly Service Grant Reports, monthly Combined Client Information System (8107) data, monthly Taxonomy of Client Services data, monthly Mental Health Reform Screening information, yearly Human Resource Development data, and required Organizational Information System information.

There were no matching requirements for these non-major grants program.

No audit findings reported.



SOUTHWEST GUIDANCE CENTER  
Liberal, Kansas

Schedule 3

SCHEDULE OF FEDERAL AND STATE AWARDS  
PSYCHOSOCIAL/CASE MANAGEMENT GRANTS  
For the year ended December 31, 2016

	<u>M. H. C. C.</u>	
Pass Through Grant Number	<u>16-026</u>	<u>15-026</u>
CFDA #	<u>93.958</u>	<u>93.958</u>
Program/Award amount	Various	Various
Receipts – Actual:		
Federal amount	\$ -	\$ -
State amount	<u>252,282</u>	<u>252,286</u>
Total receipts	<u>\$252,282</u>	<u>\$252,286</u>
Disbursements, payables and accruals – Actual	<u>(A)</u>	<u>(A)</u>
Excess (deficiency) receipts over disbursements and accruals	<u>(A)</u>	<u>(A)</u>

Notes to Schedule:

Reference to (A) is that no budget or actual expenditures shown as they are not required since payment procedure is based on: prospective quarterly payments on or about July 15, October 1, January 1 and April 1 that are contingent upon receipt of scheduled program and State Aid Budget information. Program information includes Quarterly Service Grant Reports, monthly Combined Client Information System (8107) data, monthly Taxonomy of Client Services data, monthly Mental Health Reform Screening information, yearly Human Resource Development data, and required Organizational Information System information.

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